
FEDERAL DEPOSIT INSURANCE CORPORATION

Executive Management Report

Unaudited

Financial Results

For the Year Ending December 31, 1998



Financial Highlights

For the Year Ending December 31, 1998

Insurance Funds:

- In order to assess exposure to the Insurance Funds from Year 2000 potential failures, FDIC evaluated all information relevant to such an assessment, including Year 2000 on-site examination results, institution capital levels and supervisory examination composite ratings, and other institution past and current financial characteristics. As a result of this assessment, no institutions were identified that would likely fail and cause loss to the Insurance Funds. During 1999, the regulatory agencies will continue their Year 2000 reviews, and the FDIC will continue to assess this potential liability.
- At December 31, 1998, the BIF's and SAIF's cash equivalents have risen due to an increase in investments in overnight U.S. Treasury securities. This is due to the FDIC Investment Advisory Group's decision to maintain greater-than-usual fund liquidity to cover any potential future contingencies.
- The liability for anticipated failures of insured BIF and SAIF institutions at \$32 million and \$31 million, respectively, reflects the stable condition of the bank and thrift industries.

Bank Insurance Fund (BIF):

- Comprehensive income (net income plus unrealized gains on available-for-sale securities) was \$1.3 billion for the year ending December 31, 1998, raising the fund balance to \$29.6 billion.
- Revenue totaled \$2 billion for the year ending December 31, 1998. The fund earned \$1.7 billion in interest on investments in U.S. Treasury securities and \$22 million in deposit insurance assessments.
- Receivables from bank resolutions are \$748 million at December 31, 1998. This receivable peaked at \$27.8 billion in 1992 due to the large number of bank failures occurring at that time.
- Assets in liquidation totaled \$1.3 billion as of December 31, 1998, down by \$405 million over the last 12 months.
- Total BIF expenses (fund level and receivership) decreased by \$73 million to \$846 million for the period ending December 31, 1998, compared to the same period last year. The BIF's operating expenses at the fund level increased by \$93 million to \$698 million as BIF liquidation activity declined and programs associated with the primary purpose of the BIF, to insure deposits and to protect depositors of BIF-insured banks, become the principal activity of the Fund.

Savings Association Insurance Fund (SAIF):

- Comprehensive income was \$472 million as of December 31, 1998, increasing the fund balance to \$9.8 billion.
- Revenue totaled \$584 million for the year ending December 31, 1998. This amount includes \$563 million in interest earned on investments in U.S. Treasury securities and \$15 million in deposit insurance assessments.

FSLIC Resolution Fund (FRF):

~FRF-FSLIC~

- The U.S. Department of Treasury has determined that the FRF is responsible for the payment of judgements and settlements in most supervisory goodwill litigation cases against the U. S. Government. Future goodwill litigation payments cannot be reasonably estimated at this time. Payments for settlements reached to date total \$103.3 million.
- In addition to payments for goodwill settlements, the FRF is responsible for reimbursing the Department of Justice (DOJ) for its goodwill litigation expenses. Payments for DOJ's fiscal year 1999 goodwill litigation expenses total \$51.2 million.
- Assets in liquidation totaled \$105 million, down by \$64 million over the last 12 months.
- The FRF-FSLIC received \$115 million in tax benefits during 1998. Tax benefits are derived by an acquiring institution's utilization of a failing institution's net operating losses, credit carry forwards, and other benefits. FDIC receives cash from the acquiring institution for a percentage of the tax benefits used.

~FRF-RTC~

- The FRF-RTC cash balance of \$2.5 billion is at an all time high. This increase in cash is primarily due to:
 - 1) Cash recoveries from the securitization funds held by trustee totaled \$2.4 billion for the year ending December 31, 1998. The trustee released these funds because either securitization deals were terminated or certain criteria were met to allow the release; and
 - 2) Cash recoveries from the securitization residual certificates totaled \$261 million for the year ending December 31, 1998.

Financial Highlights

For the Year Ending December 31, 1998

~FRF-RTC~ (Continued)

FRF-RTC had a steady increase in its cash balance during 1998. FDIC's management is considering various options relative to returning FRF-RTC's excess cash to the U.S. Treasury in a prudent manner. The RTC Completion Act requires the FDIC to return to the U.S. Treasury any funds that were transferred to the RTC pursuant to the RTC Completion Act but not needed by the RTC. The RTC Completion Act made available approximately \$18 billion worth of additional funding, and the RTC drew down \$4.556 billion.

The FDIC must transfer to the Resolution Funding Corporation (REFCORP) the net proceeds from the sale of FRF-RTC assets (once all liabilities of the FRF-RTC have been paid) to pay the interest on REFCORP bonds. Any such payments benefit the U.S. Treasury, which would otherwise be obligated to pay the interest on the bonds.

- RTC receiverships transferred their securitization residual certificates of \$1.8 billion to the Corporation during October 1998. This amount was offset by amounts owed by the receiverships to RTC. As a result of this transaction, the residual certificates are no longer reflected in the "Receivables from thrift resolutions, net" line item. The assets are reported separately in a new line item titled "Investment in securitization residual certificates."
- Assets in liquidation totaled \$947 million as of December 31, 1998, down by \$1.3 billion over the last 12 months.
- Provision for losses is a negative \$1.1 billion for the period, primarily reflecting decreased losses expected for the assets remaining in liquidation.
- The accumulated deficit declined by \$1.7 billion over the past 12 months, as total resolution equity increased to \$8.2 billion as of December 31, 1998.

Bank and Thrift Failure Activity:

- Three BIF-insured institutions, with assets of \$370 million, failed during 1998. During 1997, one bank, with assets of \$26 million, failed.
- No SAIF-insured institutions failed during 1998 or 1997.

Asset Capitalization:

➤ Effective January 1, 1998, the FDIC began capitalizing various costs including software development, computer equipment, and leasehold improvements due to the increasing materiality of these costs. Previously, only land and buildings owned by the Corporation were capitalized. The BIF is the designated administrator of all capital assets owned and used by the Corporation. Depreciation expense will be allocated periodically to all funds on an equitable basis for each class of assets.

Gain on Conversion of Benefit Plan

- On January 2, 1998, employees with five or more years until retirement were converted from the FDIC health plan to the Federal Employees Health Benefits (FEHB) program at no initial enrollment cost to the FDIC. In addition, legislation was passed to convert all retirees and employees within five years of retirement from the FDIC plan to the FEHB program effective January 3, 1999. The FDIC paid the U.S. Office of Personnel Management (OPM) \$186 million (\$150 million from BIF, \$4 million from SAIF, and \$32 million from FRF) to convert retirees and those employees within five years of retirement. The OPM is now responsible for postretirement health benefits for all employees and covered retirees. In future years, the FDIC will continue to be obligated for dental and life insurance coverage only.

OPM's assumption of the health care obligation constitutes both a settlement and a curtailment of the postretirement health benefit obligation as defined by SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The plan settlement and curtailment effectively eliminated FDIC's three funds' liability for postretirement health benefits. This conversion resulted in a gain of \$200 million to the BIF, \$6 million to the SAIF, and \$39 million to the FRF.

Statistical Highlights

(Dollars in Millions)

Fund Results	Bank Insurance Fund		Savings Association Insurance Fund	
	(Unaudited)		(Unaudited)	
	YTD 12/31/98	YTD 12/31/97	YTD 12/31/98	YTD 12/31/97
Revenue	\$ 2,000	\$ 1,616	\$ 584	\$ 550
Operating Expenses	\$ 698	\$ 605	\$ 84	\$ 72
Insurance Losses/Expenses	\$ (6)	\$ (428)	\$ 32	\$ (2)
Comprehensive Income (a)	\$ 1,319	\$ 1,439	\$ 472	\$ 480
Fund Balance	\$ 29,612	\$ 28,293	\$ 9,840	\$ 9,368

Selected Statistics (e)

Total Insured Institutions	9,056 (b)	9,430 (c)	1,430 (b)	1,519 (c)
Number of Failures, YTD	3	1	0	0
Total Corporate Outlays, YTD	\$ 286	\$ 26	\$ 0	\$ 0
Total Estimated Corporate Losses, YTD	\$ 179	\$ 4	\$ 0	\$ 0
Total Assets at Inception (Current Year)	\$ 370	\$ 26	\$ 0	\$ 0
Assets in Liquidation	\$ 1,324	\$ 1,729	\$ 0 (d)	\$ 17

(a) Includes Net Income plus any unrealized gains and/or losses on available-for-sale securities.

(b) Source: 12/31/98 FDIC Quarterly Banking Profile. BIF figure includes 25 U.S. branches of foreign banks.

(c) Source: 12/31/97 FDIC Quarterly Banking Profile. BIF figure includes 31 U.S. branches of foreign banks.

(d) Actual amount is \$349,258.

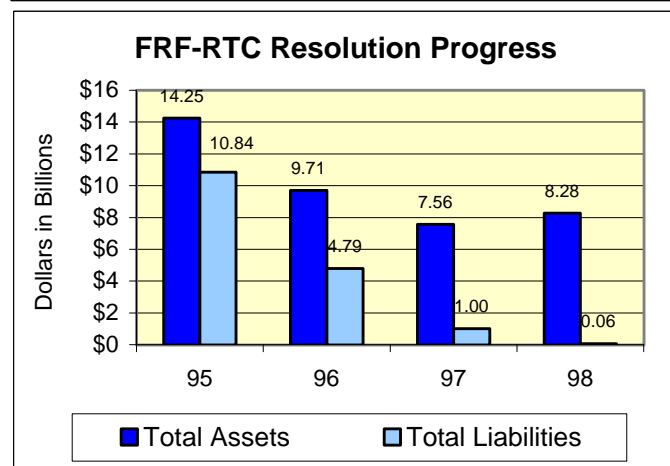
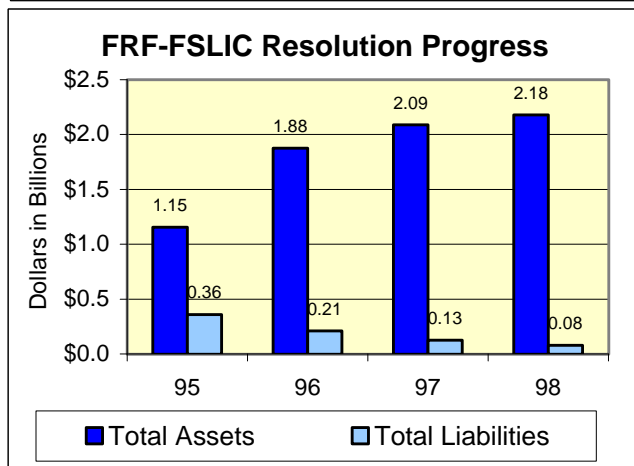
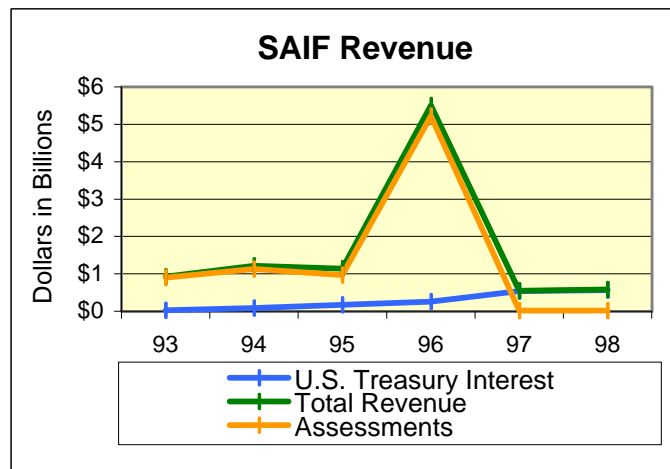
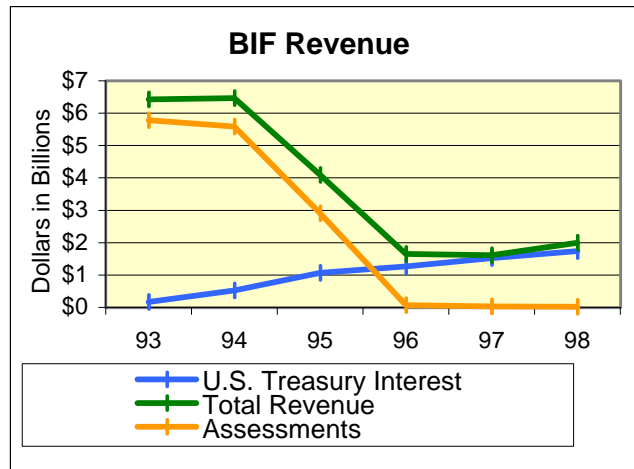
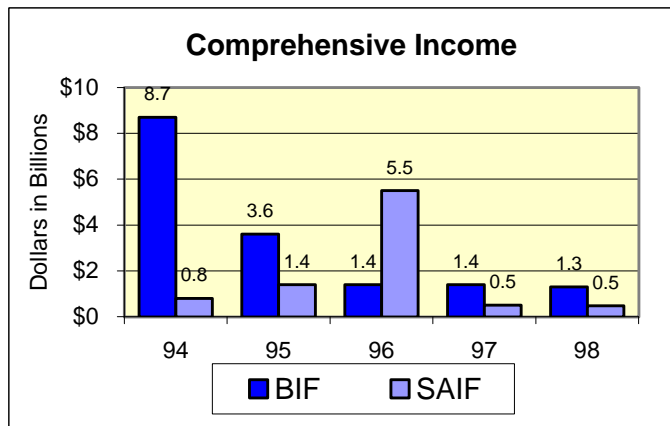
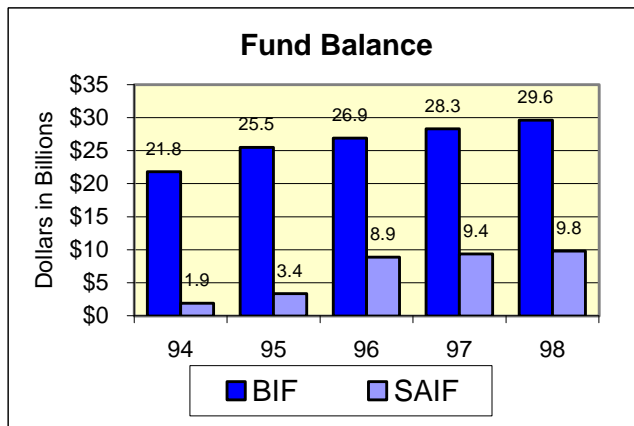
(e) The numbers in this chart are not examined during the financial statement audits.

	FRF - FSLIC		FRF - RTC		FRF - Consolidated	
	(Unaudited)		(Unaudited)		(Unaudited)	
	YTD 12/31/98	YTD 12/31/97	YTD 12/31/98	YTD 12/31/97	YTD 12/31/98	YTD 12/31/97
Cash Flows						
Cash Flows from Operating Activities:						
Cash Provided by Operating Activities	\$ 368	\$ 1,280	\$ 3,261	\$ 4,295	\$ 3,629	\$ 5,575
Cash Used for Operating Activities	(192)	(107)	(275)	(706)	(467)	(813)
Net Cash Provided by Operating Activities	176	1,173	2,986	3,589	3,162	4,762
Cash Flows from Investing Activities:						
Cash Provided by Securitization Residual Certificates	0	0	261	0	261	0
Cash Used for Purchase of Securitization Residual Certificates	0	0	(26)	0	(26)	0
Net Cash Provided by Investing Activities	0	0	235	0	235	0
Cash Flows from Financing Activities:						
Repayments of Federal Financing Bank Borrowings	0	0	(838)	(3,719)	(838)	(3,719)
Payments of Indebtedness incurred from thrift resolutions	(32)	(32)	0	0	(32)	(32)
Return of U.S. Treasury Payments	0	0	(3)	(8)	(3)	(8)
Net Increase/(Decrease) in Cash	\$ 144	\$ 1,141	\$ 2,380	\$ (138)	\$ 2,524	\$ 1,003
Selected Statistics						
Resolution Equity	\$ 2,098	\$ 1,962	\$ 8,224	\$ 6,559	\$ 10,322	\$ 8,521
Federal Financing Bank Borrowings	\$ 0	\$ 0	\$ 0	\$ 849	\$ 0	\$ 849
Number of Active Receiverships (a)	26	29	388	399	414	428
Number of Other Liquidating Entities (a)	57	57	18	18	75	75
Assets in Liquidation	\$ 105	\$ 169	\$ 947	\$ 2,200	\$ 1,052	\$ 2,369

(a) These numbers are not examined during the financial statement audits.

Fund Operations

Financial Results Through December 31, 1998

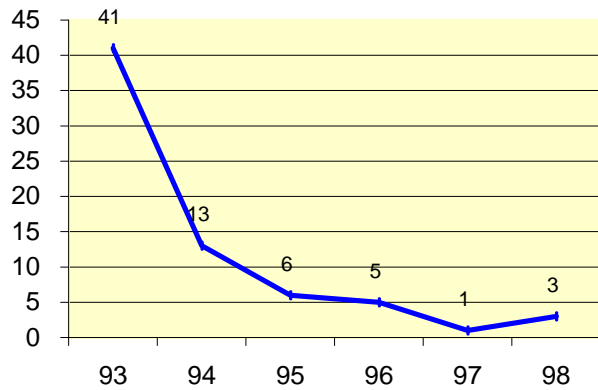


Results for the year ended 12/31/98, are unaudited. All other BIF and SAIF balances are audited. The U.S. General Accounting Office (GAO) audits the FRF on a consolidated basis. GAO rendered an unqualified audit opinion on the combined FRF for years ending 12/31/96 and 12/31/97. The 12/31/95 results (representing the last year-end before RTC sunset) of FRF-FSLIC and FRF-RTC were audited separately.

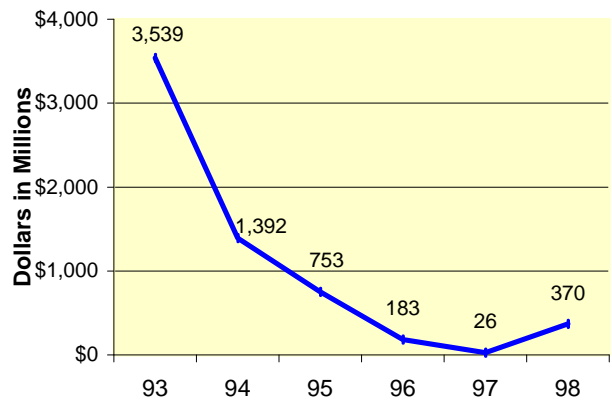
Insurance Activity

Through December 31, 1998

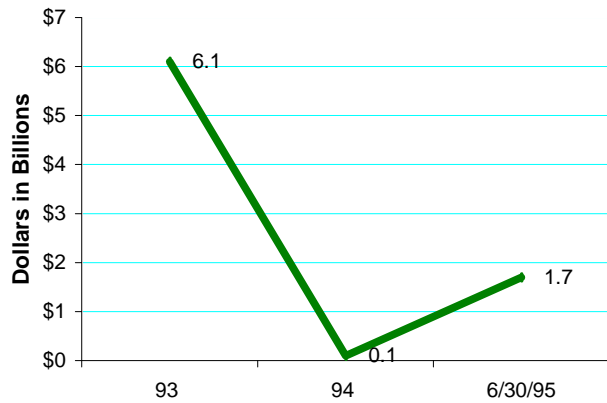
Number of Closed and Assisted BIF-Member Institutions



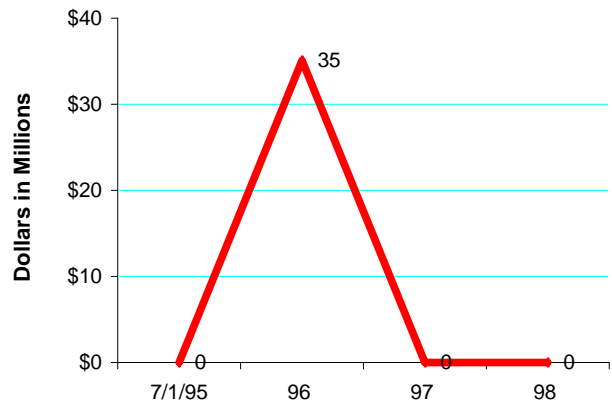
Assets of Closed and Assisted BIF-Member Institutions at Date of Closing or Assistance



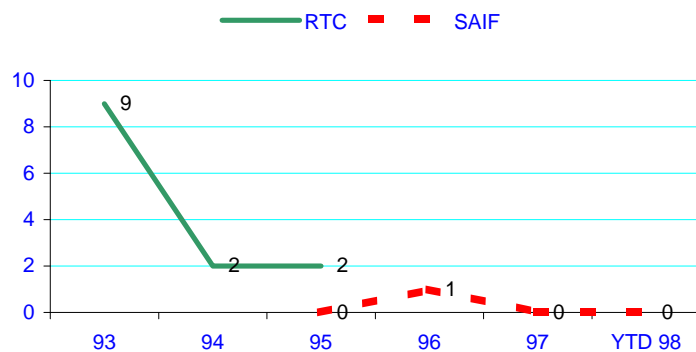
RTC: Assets of Failed Thrifts * at Date of Failure



SAIF: Assets of Failed Thrifts * at Date of Failure



Number of Thrift Failures *



* The SAIF assumed responsibility for thrift-member institution failures from the RTC on July 1, 1995.

Federal Deposit Insurance Corporation
Bank Insurance Fund and Savings Association Insurance Fund
Statements of Income and Fund Balance
(Dollars in Millions)

	B I F Quarter Ending December 31 (Unaudited)		S A I F Quarter Ending December 31 (Unaudited)	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Revenue				
Interest on U.S. Treasury investments	\$ 425	\$ 408	\$ 142	\$ 138
Gain on conversion of benefit plan	200	0	6	0
Interest on advances and subrogated claims	61	12	0	0
Assessments	6	5	5	0
Revenue from assets acquired from assisted institutions and terminated receiverships	2	6	0	0
Other revenue	3	3	0	0
Total Revenue	697	434	153	138
Expenses and Losses				
Operating expenses	197	191	22	22
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(23)	(107)	20	1
Expenses for assets acquired from assisted institutions and terminated receiverships	6	23	0	0
Interest and other insurance expenses	1	1	0	0
Total Expenses and Losses	181	108	42	23
Net Income	516	326	111	115
Unrealized gains/(losses) on available-for-sale securities (current period)	(5)	0	(2)	0
Comprehensive Income	511	326	109	115
Fund Balance - Beginning	29,101	27,967	9,731	9,253
Fund Balance - Ending	\$ 29,612	\$ 28,293	\$ 9,840	\$ 9,368

	B I F Y-T-D December 31 (Unaudited)		S A I F Y-T-D December 31 (Unaudited)	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Revenue				
Interest on U.S. Treasury investments	\$ 1,675	\$ 1,519	\$ 563	\$ 535
Gain on conversion of benefit plan	200	0	6	0
Interest on advances and subrogated claims	67	22		
Assessments	22	25	15	14
Revenue from assets acquired from assisted institutions and terminated receiverships	21	38	0	0
Other revenue	15	12	0	1
Total Revenue	2,000	1,616	584	550
Expenses and Losses				
Operating expenses	698	605	84	72
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(38)	(496)	32	(2)
Expenses for assets acquired from assisted institutions and terminated receiverships	30	66	0	0
Interest and other insurance expenses	2	2	0	0
Total Expenses and Losses	692	177	116	70
Net Income	1,308	1,439	468	480
Unrealized gains/(losses) on available-for-sale securities (current period)	11	0	4	0
Comprehensive Income	1,319	1,439	472	480
Fund Balance - Beginning	28,293	26,854	9,368	8,888
Fund Balance - Ending	\$ 29,612	\$ 28,293	\$ 9,840	\$ 9,368

Federal Deposit Insurance Corporation
Bank Insurance Fund and Savings Association Insurance Fund
Statements of Financial Position
(Dollars in Millions)

	B I F		S A I F	
	December 31		December 31	
	(Unaudited)		(Unaudited)	
<u>Assets</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Cash and cash equivalents - unrestricted	\$ 2,118	\$ 219	\$ 667	\$ 141
Investment in U.S. Treasury obligations, net	26,126	26,599	9,062	9,106
Interest receivable on investments				
and other assets	690	473	140	123
Receivables from resolutions, net	748	1,109	9	5
Assets acquired from assisted institutions				
and terminated receiverships, net	27	61	0	0
Cash and other assets: Restricted for SAIF				
member exit fees	0	0	254	240
Software development and other				
capitalized assets, net	67	0	0	0
Property and buildings, net	143	145	0	0
Total Assets	\$ 29,919	\$ 28,606	\$ 10,132	\$ 9,615
<u>Liabilities</u>				
Accounts payable and other liabilities	\$ 230	\$ 229	\$ 7	\$ 7
<i>Estimated Liabilities for:</i>				
Anticipated failure of insured institutions	32	11	31	0
Assistance agreements	15	32	0	0
Litigation losses	23	13	0	0
Asset securitization guarantee	7	28	0	0
SAIF-member exit fees and investment				
proceeds held in escrow	0	0	254	240
Total Liabilities	307	313	292	247
<u>Fund Balance</u>				
Accumulated net income	29,601	28,293	9,836	9,368
Unrealized gains on available-for-sale				
securities	11	0	4	0
Total Fund Balance	29,612	28,293	9,840	9,368
Total Liabilities and Fund Balance	\$ 29,919	\$ 28,606	\$ 10,132	\$ 9,615

Federal Deposit Insurance Corporation

Financial Statements for FRF - FSLIC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	December 31 1998 (Unaudited)	December 31 1997 (Unaudited)
Assets		
Cash and cash equivalents	\$ 2,089	\$ 1,945
Receivables from thrift resolutions, net	41	103
Assets acquired from assisted thrifts and terminated receiverships, net	36	35
Other assets, net	12	5
Total Assets	\$ 2,178	\$ 2,088
Liabilities and Resolution Equity		
Liabilities		
Accounts payable and other liabilities	\$ 9	\$ 21
Liabilities incurred from thrift resolutions	66	99
Estimated Liabilities for:		
Assistance agreements	5	6
Total Liabilities	80	126
Resolution Equity		
Contributed capital	44,156	44,156
Accumulated deficit	(42,058)	(42,194)
Total Resolution Equity	2,098	1,962
Total Liabilities and Resolution Equity	\$ 2,178	\$ 2,088
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date December 31 1998 (Unaudited)	Year to Date December 31 1997 (Unaudited)
Revenue		
Interest on U.S. Treasury obligations	\$ 109	\$ 87
Revenue from assets acquired from assisted thrifts and terminated receiverships	21	53
Gain on conversion of benefit plan	8	0
Other revenue	1	19
Total Revenue	139	159
Expenses and Losses		
Operating expenses	7	3
Provision for losses	(177)	(231)
Expenses for goodwill settlements and litigation	154	34
Interest expense on notes payable	4	6
Expenses for assets acquired from assisted thrifts and terminated receiverships	11	45
Other expenses	4	4
Total Expenses and Losses	3	(139)
Net Income	136	298
Accumulated Deficit - Beginning	(42,194)	(42,492)
Accumulated Deficit - Ending	\$ (42,058)	\$ (42,194)

Federal Deposit Insurance Corporation

Financial Statements for FRF - RTC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	December 31 1998 (Unaudited)	December 31 1997 (Unaudited)
<u>Assets</u>		
Cash	\$ 2,542	\$ 162
Receivables from thrift resolutions, net	1,347	2,467
Securitization funds held by trustee, net	2,797	4,890
Investment in securitization residual certificates	1,538	0
Assets acquired from assisted thrifts and terminated receiverships, net	28	38
Other assets, net	29	3
Total Assets	\$ 8,281	\$ 7,560
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 31	\$ 143
Notes payable - Federal Financing Bank borrowings	0	849
Liabilities incurred from thrift resolutions	8	6
<u>Estimated Liabilities for:</u>		
Litigation losses	18	3
Total Liabilities	57	1,001
<u>Resolution Equity</u>		
Contributed capital	91,335	91,338
Accumulated deficit	(83,185)	(84,779)
Less: Unrealized gain on available-for-sale securities	74	0
Accumulated deficit, net	(83,111)	(84,779)
Total Resolution Equity	8,224	6,559
Total Liabilities and Resolution Equity	\$ 8,281	\$ 7,560
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date December 31 1998 (Unaudited)	Year to Date December 31 1997 (Unaudited)
<u>Revenue</u>		
Interest on securitization funds held by trustee	\$ 263	\$ 300
Interest on advances and subrogated claims	213	(28)
Revenue from assets acquired from assisted thrifts and terminated receiverships	19	21
Limited partnership equity interests and other revenue	31	3
Gain on conversion of benefit plan	31	0
Total Revenue	557	296
<u>Expenses and Losses</u>		
Operating expenses	50	14
Interest expense on Federal Financing Bank debt	18	124
Expenses for assets acquired from assisted thrifts and terminated receiverships	9	21
Provision for losses	(1,114)	(1,511)
Total Expenses and Losses	(1,037)	(1,352)
Net Income	1,594	1,648
Unrealized gain on available-for-sale securities	74	0
Comprehensive Income	1,668	1,648
Accumulated Deficit - Beginning	(84,779)	(86,427)
Accumulated Deficit - Ending	\$ (83,111)	\$ (84,779)

Federal Deposit Insurance Corporation

Financial Statements for FRF - Consolidated

(Dollars in Millions)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
	December 31 1998 (Unaudited)	December 31 1997
<u>Assets</u>		
Cash and cash equivalents	\$ 4,631	\$ 2,107
Receivables from thrift resolutions, net	1,388	2,570
Securitization funds held by trustee, net	2,797	4,890
Investment in securitization residual certificates	1,538	0
Assets acquired from assisted thrifts and terminated receiverships, net	64	73
Other assets, net	41	8
Total Assets	\$ 10,459	\$ 9,648
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 40	\$ 164
Notes payable - Federal Financing Bank borrowings	0	849
Liabilities incurred from thrift resolutions	74	105
<u>Estimated Liabilities for:</u>		
Assistance agreements	5	6
Litigation losses	18	3
Total Liabilities	137	1,127
<u>Resolution Equity</u>		
Contributed capital	135,491	135,494
Accumulated deficit	(125,243)	(126,973)
Less: Unrealized gain on available-for-sale securities	74	0
Accumulated deficit, net	(125,169)	(126,973)
Total Resolution Equity	10,322	8,521
Total Liabilities and Resolution Equity	\$ 10,459	\$ 9,648
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date December 31 1998 (Unaudited)	Year to Date December 31 1997
<u>Revenue</u>		
Interest on securitization funds held by trustee	\$ 263	\$ 300
Interest on U.S. Treasury investments	109	87
Interest on advances and subrogated claims	213	(28)
Revenue from assets acquired from assisted thrifts and terminated receiverships	40	74
Gain on conversion of benefit plan	39	0
Limited partnership equity interests and other revenue	32	22
Total Revenue	696	455
<u>Expenses and Losses</u>		
Operating expenses	57	17
Expenses for goodwill settlements and litigation	154	34
Interest expense on FFB debt and other notes payable	22	130
Expenses for assets acquired from assisted thrifts and terminated receiverships	20	66
Provision for losses	(1,291)	(1,742)
Other expenses	4	4
Total Expenses and Losses	(1,034)	(1,491)
Net Income	1,730	1,946
Unrealized gain on available-for-sale securities	74	0
Comprehensive Income	1,804	1,946
Accumulated Deficit - Beginning	(126,973)	(128,919)
Accumulated Deficit - Ending	\$ (125,169)	\$ (126,973)